
A Jobs Agenda for America

What is America's jobs problem?

Not enough are being created. The gap between the number of people at work and the number of people who want a job but cannot find one is massive and it is widening. Contemporary economic remedies of open markets, low taxes, extensive regulation, cheap money, massive borrowing and a huge fiscal stimulus are not working, creating a 1990s "Japanese-type" jobs stagnation.

How big is America's jobs gap?

In October 2010, the U.S. civilian labor force had 154.9 million people. Of these, 139.6 million were at work, creating an official unemployment rate of 9.6 percent. Full employment is about 4.0 percent unemployment, reflecting the constant churns in the labor force. Thus, by the official data, the jobs gap is 9.6 minus 4.0: that is, **5.6 percent, which is about 8.7 million jobs**.

Yet, the official unemployment rate does not count "discouraged workers," or those marginally attached to the work force, or those employed part-time for economic reasons. When the Labor Department counted all the jobless, America had an unemployment rate of **17.0 percent** in October 2010 and thus a **13 percent gap, 20.1 million jobs**.

How many net new jobs must America create to close the jobs gap by 2018?

The Labor Department projects a U.S. labor force of 167 million in 2018. America must create 28 million net new jobs by then to close the gap.

Is the private sector producing enough new jobs to fill the gap?

No. America has almost the same number of private sector jobs at the end of 2010 (108 million) as it had at the beginning of 2000. Yet during the same period the total civilian work force grew from 140 million to 154 million. Current policies are not producing enough private sector jobs to fill the gap.

How important are young companies to job creation?

Companies five years old or younger created 60 percent plus of all net new jobs that have been created in U.S. since 1980. Start-ups and young firms will directly create most of the new jobs that the U.S. creates. Firms with 500 or fewer workers employ 51 percent of all U.S. workers.

How important are small companies to innovation?

Companies with 500 or fewer workers, independent inventors and universities create half or more of the disruptive technologies that produce entirely new jobs-creating industries. To capture this potential requires an unseizing of bank credit. Six big banks control 60 percent of U.S. GDP. As of mid-2010, they are hoarding capital and using it to issue \$223 **trillion** of derivatives, plus borrow money from the Federal Reserve at 0.25 percent and then loan it to the Treasury at 3.6 percent on 20-year bonds. Loans to regional banks and small business are being squeezed out, throttling recovery in every region.

How important are big companies to U.S. jobs?

Companies with 500 or more workers employ 49 percent of the U.S. labor force. They are the major customers for small companies and the primary source of U.S. exports. Over the past two decades, however, many have out-sourced production and in-sourced workers. Bringing their production back to the U.S. can be a major source of new U.S. jobs.

How important is housing to jobs creation?

The housing sector has led every recovery in recent history. But in its current beleaguered condition 20 million American households could be dislodged. The housing crisis is leaving in its wake millions of abandoned and vandalized units, wrecking neighborhoods, increasing the number of homeless people and harming community stability. A targeted community housing revitalization effort must be incorporated in infrastructure financing --employing and training unemployed workers-- to stabilize the housing market so families, neighborhoods, property values, and jobs can be restored.

Is the jobs gap cyclical or structural?

America's jobs crisis today is structural in nature – not cyclical. Thus, unemployment remains high, even as the GDP is once again growing. Structural solutions on trade, housing, banking, currency and the social net are required if high unemployment is not to become the permanent new "norm." Global economic competition is now between **market capitalism** (as found in the United States) and **state capitalism** (as found in varying degrees in China, Japan, South Korea, Taiwan, Germany and elsewhere.) Market capitalism relies on private ownership and focuses on rules and enforcement. State capitalism relies on either state-owned or directed ownership and it focuses on outcomes. U.S. economic policy is out-of-sync with this global reality.

What are the jobs and financial consequences of out-of-sync U.S. policies?

Extensive outsourcing, a broken economy and massive domestic joblessness have led to:

- U.S. jobs in goods production (manufacturing, logging, mining and construction) in 2010 (18.3 million) have fallen to levels not seen since 1962.
- U.S. jobs in manufacturing (11.7 million) are at the level of 1941.
- The unemployment rate for 16-19 year olds of Hispanic or Latino Ethnicity was **32 percent** in the fall of 2010.
- The unemployment rate for Black or African American teen-agers 16-19 years old was **49 percent** by the fall of 2010.
- The net international investment position of the U.S. has gone from the world's largest creditor (\$360 billion) in 1980 to the largest debtor (\$2.9 trillion) in 2009.

How important is the "jobs" issue to U.S. voters?

The Gallup poll reported in October 2010, "U.S. registered voters choose economic conditions by nearly a 2-to-1 margin over any of four other key election issues as the most important to their vote for Congress this year.

Where can the future jobs come from?

Solving America's major economic problems can be major sources of new jobs, even as we advance innovative new industries.

- Each \$1 billion of investment in the \$2.2 trillion backlog of U.S. infrastructure needs can create 16,000 jobs.
- Each \$1 billion reduction in our annual trade deficit will create 14,000 jobs.
- Each \$1 billion reduction in energy imports will create 14,000 jobs.
- Innovation can create entirely new industries and millions of better jobs.

Can a Jobs Agenda exist within U.S. budget limits?

Yes, most of the required actions recommended can be undertaken with existing resources, but used in some different ways. Policy changes in trade will cost nothing but produce significant increases in GDP growth and in federal revenues. A national infrastructure bank can finance the construction of 21st century domestic civil works outside the unified federal budget.

A Three-Part Jobs Agenda

Part one – A short-term jobs agenda

1. Create a new Civilian Conservation Corps (CCC) that will provide jobs for our unemployed youth. A CCC would, in reality, be the employer of last resort for these youth. Begin hiring in early 2011.
2. Increase and extend unemployment benefits and food stamps until the jobs gap is closed. Extend through 2011.
3. Provide supplemental fiscal aid that allows states to pay teachers, police, firefighters and other vital state and local workers. Provide through 2011.
4. Require that priorities for all jobs stimulus investments go to those that produce the greatest returns for the federal investment. Impose immediately.

Part two – An intermediate jobs agenda

1. **Infrastructure** – The existing \$2.2 trillion investment backlog can provide 7 million new jobs for each of the next five years. Actions required are: **(a) Instruct the GAO** to devise a plan and schedule for creating a national capital budget and a long-term infrastructure investment strategy and put those recommendations into place in the FY 2012 budget cycle, **(b) Create a national infrastructure bank** to help finance national, state and local projects that are parts of capital budgets, and **(c) Accelerate public works investments** starting in the 2011 building season.
2. **Innovation** -- Innovation, based on strong intellectual property rights, is America's competitive advantage. Recommended actions are **(a) Fully fund the USPTO** with supplemental funds from the general budget sufficient to employ adequate staff, secure enough space, modernize IT equipment and establish regional offices; **(b) Require the Patent Office to reduce the present 35-month pendency rate to 6-10 months** within three calendar-years, and clear the existing backlog; **(c) Form a national commission** to review recent Supreme Court decisions that weaken inventor protections in favor of big tech corporations, and do so with an eye to remedial legislation; **(d) Stop premature and unexamined publication of sensitive patents and patent applications**; **(e) Develop patent reform legislation** for the 112th Congress that can stimulate innovation and development by small entity and start-ups (the jobs creators) **(f) Stop the systemic, serial patent infringements** by transnational corporations and foreign governments, and (g) Stop the expensive and time consuming strategic abuses of the USPTO post-grant review processes by infringers.

3. **Stop mercantilist currency manipulation by China and others** – Impose a currency adjustment fee on imports from nations that manipulate their currency for trade advantage. Adjust that rate quarterly. Apply the revenues to the federal deficit.
4. Impose an emergency time-out on U.S. obligations under its trade agreements. Under the World Trade Agreement, any contracting party “in order to safeguard its external financial position and its balance of payments, may restrict the quantity or value of merchandise permitted to be imported.” There is a long line of precedents that make such action consistent with the WTO. In 1971, President Nixon imposed a temporary import surcharge to address a decline in the current account. These measures would be temporary, during which time the United States could take other long-term actions.

Part three – A longer-term jobs agenda

1. **Bring the U.S. trade deficit into balance within five years** -- Acting within the provisions of the World Trade Agreement, mandate that the U.S. trade deficit as a percent of GDP be reduced one-percent annually – reaching zero in calendar year 2014.
2. **Direct the Executive Branch** to negotiate away, within one year, the existing Value Added Tax (VAT) disadvantage in global trade or legislatively impose a countermeasure within two years.
3. **Swap the existing corporate income tax for a WTO trade-compatible consumption tax** (Flat, Fair or VAT) that produces an equal amount of federal revenues.
4. **Initiate trade negotiations with the five nations that make up 2/3 of the U.S. trade deficit** (China, Japan, Germany, Mexico and Canada). Renegotiate NAFTA. The pact discriminates against U.S. producers and workers, including no VAT offsets and a lack of enforcement of numerous NAFTA provisions, including those on environment and labor.
5. **Shift enforcement** of U.S. trade agreements from the USTR to the Justice Department and aggressively enforce existing pacts.
6. **Provide tax preferences for domestic U.S. mfg. investment.**
7. **Energy** – Set a national goal of cutting dependence on imported petroleum from the Middle East to zero within ten years and being free of imports overall within 20 years; and create an American-on-the-moon-first type program to do this -- starting now.

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The Manufacturing Policy Project (MPP) is a nonprofit, nonpartisan 501(c)(3) institute. For more about the jobs gap and how to close it, go to Pat Choate's recent books – **Hot Property** (Knopf, 2005), **Dangerous Business** (Knopf, 2008) and **Saving Capitalism** (Vintage, 2009). His blogs are at www.huffingtonpost.com

Jobs Facts

- **The real U.S. unemployment rate is 17 percent and 26 million American workers are jobless.**
- **The number of jobs in U.S. goods production (mfg, logging, mining and construction) is back to 1962 levels;**
- **The number of U.S. manufacturing jobs is at 1941 levels;**
- **The net U.S. trade deficit will be almost \$500 billion for 2010 – a loss of 7 million American jobs.**
- **The net U.S. international investment position is a negative \$2.9 trillion – making the U.S. the world's largest debtor.**
- **The U.S. must create a net 28 million jobs between now and 2018 to employ U.S. workers who want a job.**